



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

Advocating for hospitals and the patients they serve.

House Insurance Committee
July 25, 2007
Testimony on House Bill 4792

Good morning Mr. Chairman and members of the committee. My name is Laura Appel and I am senior director for legislative policy at the Michigan Health & Hospital Association. I am also here today on behalf of the Coalition to Protect Auto No-Fault which is made up of dozens of organizations that support the Michigan no-fault system. I thank you for the opportunity to share our concerns about House Bill 4792.

We oppose this legislation which enables auto insurers to reimburse hospitals and other providers pursuant to the fee schedule in use for workers' compensation cases. Auto insurers do not need legislation to negotiate private contracts with health care providers. These rates would be in effect for almost two years while the Commission of Financial and Insurance Services, using a yet unnamed advisory group, promulgates a new fee schedule for auto insurer payments to health care providers.

It is not appropriate to arbitrarily apply the workers compensation fee schedule to health care provided under the auto no-fault system, even for a period of two years. The work comp fee schedule was the product of months of negotiation and was part of an overall reform of the work comp system that included a number of changes for insurers, including a system of data collection, rate filings and reductions, together with an annual report that certifies the state of competition in the workers' compensation insurance market. There are no similar requirements or attributes in this legislation.

Revising the rates paid under auto no-fault will not make the cost of this care go away. Two major health systems in our membership report that this change would reduce their revenue by \$10 million annually. As nonprofit, charitable organizations, hospitals are already under intense financial pressure. Medicaid and Medicare pay less than the cost of providing services to our patients, and these costs are passed onto to other health plans and insurers. The loss of reimbursement from auto no-fault would necessitate increases in the rates paid by other plans and patients, and increase the likelihood that certain services will be eliminated for all patients.

Hospitals regularly negotiate payment rates with insurers which are dependent upon a number of factors. These rates are not transferable from payer to payer because the volume, type and frequency of services differ depending upon the group of people covered by the contract. For the same reason, the work comp fee schedule should not be applied to no-fault cases capriciously.

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There is no evidence that auto insurers need a fee schedule to control costs. The existing law does not place a limit on the ability of auto insurers to negotiate rates with health care providers. In fact, many providers, including hospitals, have contracts with networks that establish rates for services rendered. Some hospitals are currently paid for auto no-fault claims under their PPOM contract. Auto insurers use many services to review and pay bills, and challenge those deemed excessive. Auto insurers do not need legislative action to negotiate private contracts with health care providers.

While the number of people seriously injured in auto accidents is small in comparison to the number of drivers and the total number of patients admitted to hospitals each year, people who are seriously injured in accidents represent costly cases. The intensity of the service needed is great. Trauma services require on-call physicians and large numbers of other professionals, technical equipment, and extra capacity for operating rooms and critical care beds. Care for a severely injured patient starts with the special critical care transportation vehicle staffed with specially trained paramedics, continues in the intensive care unit and may even move to an inpatient rehabilitation unit or facility where a recovering patient receives at least three hours of physical and occupational therapy daily. Many patients continue to require assistance in daily living, outpatient care in a variety of settings and home and vehicle modifications to accommodate their injuries. It is not clear whether the work comp fee schedule can adequately be adjusted to recognize these types of services and accommodations.

The cost of investing in and maintaining critical care, trauma and rehabilitation facilities and staff is expensive. Auto no-fault reimbursement must recognize the cost of providing these resources. That is the purpose of using a no-fault, first-party payment system. The state of Michigan recognized that accidents will occur and that drivers should maintain the ability to pay for the cost of care, rehabilitation and accommodation through our system of auto insurance. Artificially reducing reimbursement will lead to inadequate margins for providers, which means less capital investment for equipment upgrades and technologies, fewer resources for paying staff and fewer physicians willing to serve on call.

Auto no-fault cases involve accidents that are by definition unpredictable. There is no way of knowing where the next 75 car pile up will be. Several years ago the hospital in Grayling was the first responder to a huge accident on I-75. More recently a large accident happened on I-96 outside of Lansing and the two hospitals in Ingham County received the injured. All hospitals must be ready to deliver excellent care to anyone who arrives by ambulance and should be paid accordingly. We are not confident that this readiness is achieved by adopting the work comp fee schedule.

In the past several days there have been a number of news stories touting the savings rendered from the adoption of a fee schedule. However, there is nothing in the legislation to identify how such savings are to be passed along to consumers, nor is there mention of the cost shifting to other employers and patients that will occur under this plan. I appreciate your willingness to consider the serious flaws involved in applying the workers' compensation fee schedule to auto no-fault and look forward to working with you on this and other auto insurance issues. Thank you.